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**Date:** 12/6/2011

**GAIN Report Number:** EZ1115

## Czech Republic

**Post:** Prague

### Czech Republic Increases Value Added Tax

**Report Categories:**

Retail Food Sector

Beverages

Food Processing Ingredients Sector

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**Report Highlights:**

On January 1, 2012, Czech Republic will increase the value added tax (VAT) for select products, including food and beverages, from 10 to 14 percent. Then, on January 1, 2013, this VAT will increase to 17.5 percent.

**General Information:**

On January 1, 2012, a new law will go into effect raising the Value Added Tax (VAT) to 14 percent (currently 10 percent). This VAT will apply to all food items, medications, public transport, social and health care, accommodation, and book sales. Miroslav Kalousek, Minister of Finance, expects the VAT rate increase to generate an extra 22 billion CZK due to this change. Petr Necas, Prime Minister, stated that the higher VAT impact will not be dramatic, because the price of food items is more influenced by changes throughout the year. Bohuslav Sobotka, leader of the opposition, mentioned that if his party will be successful in the next election their focus will be to decrease the VAT on food items. Retailers are pressuring suppliers and producers of food items to reduce their prices in order to eliminate any price changes that would affect final customers. Product quality is expected to decline if this effort by retailers persists. Price for alcohol and liquor are expected to rise 3 to 8 percent due to the raise in VAT and in cost of raw materials.

Per this new law, on January 1, 2013, all VATs will be unified at 17.5 percent.